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U.S. MINT BUDGET AUTHORIZATION FOR FISCAL YEARS 1987 AND 1988

HEARING

BEFORE THE

SUBCOMMITTEE ON
CONSUMER AFFAIRS AND COINAGE

OF THE

COMMITTEE ON
BANKING, FINANCE AND URBAN AFFAIRS
HOUSE OF REPRESENTATIVES

NINETY-NINTH CONGRESS

SECOND SESSION

ON

H.R. 4529

A BILL TO AUTHORIZE APPROPRIATIONS FOR THE UNITED STATES MINT FOR FISCAL YEARS 1987 AND 1988

MAY 15, 1986

Serial No. 99-75

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U.S. MINT BUDGET AUTHORIZATION FOR FISCAL YEARS 1987 AND 1988

THURSDAY, MAY 15, 1986

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON CONSUMER AFFAIRS AND COINAGE,
COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS,
Washington, DC.

The subcommittee met, pursuant to call, at 10 a.m., in room 2222, Rayburn House Office Building, Hon. Frank Annunzio (chairman of the subcommittee) presiding.

Present: Chairman Annunzio; Representatives Neal, Hiler, and Roth.

Chairman ANNUNZIO. The meeting of the subcommittee will come to order.

Congress is in session, working on the budget bill, and there is a possibility that we will probably be called for a vote, but we will get as much accomplished as we can.

This morning, the subcommittee meets to consider the mint's budget authorization. H.R. 4529, introduced by Mr. Hiler and myself, requests an authorization of $47.8 million for fiscal year 1987 and an open-ended authorization for fiscal year 1988.

Beginning with fiscal year 1981, this subcommittee changed the mint's authorization from a permanent authorization to a series of 1-year authorizations. This has enabled Congress to maintain effective oversight on the operations of the mint. This has been beneficial to both the Congress and the mint, and it is a policy that we should wisely continue to follow.

[The text of H.R. 4529 follows:]

I

99TH CONGRESS
2D SESSION

H. R. 4529

To authorize appropriations for the United States Mint for fiscal years 1987 and 1988.

IN THE HOUSE OF REPRESENTATIVES

APRIL 9, 1986

Mr. ANNUNZIO (for himself and Mr. HILER) (by request) introduced the following bill; which was referred to the Committee on Banking, Finance and Urban Affairs

---

A BILL

To authorize appropriations for the United States Mint for fiscal years 1987 and 1988.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 5132(a) of title 31, United States Code, is amended by—(a) revising subsection (a)(2) to read as follows:

"(2) Not more than $47,808,000, of which $1,325,000 shall remain available until expended for research and development, may be appropriated to the Secretary for the fiscal year ending September 30, 1987, and such sums as may be necessary for the fiscal

year ending September 30, 1988, to pay costs of the mints and assay offices."; and

(b) adding a new subsection (a)(3) to read as follows:

"(3) Not more than $694,000 may be appropriated to the Secretary for expansion and improvement of mint facilities, to remain available until expended.".

○

Chairman ANNUNZIO. Over the past several years, demand for coins has been declining. The mint has been reducing its coin production, but nevertheless, it continues to produce more coins than are needed.

Overproduction has occurred across the board. In each of the past 3 years, the mint has produced more coins of each denomination than were needed. The chart entitled "Annual Coin Production" shows that fact graphically.

[The chart referred to by Chairman Annunzio may be found at the end of his opening statement.]

Over the 3-year period, the mint has produced 9 percent more coins than the economy requires. While that does not sound like a large amount, it represents a staggering excess of 4.2 billion coins. Those coins have nowhere to go but into storage vaults at the mint and the Federal Reserve banks. On April 1, the U.S. Government coin inventory stood at 11.2 billion coins, not including over a half-billion Susan B. Anthony dollars.

This inventory is best understood in terms of how many months of demand could be met from inventory alone. The chart entitled "United States Coin Reserves" shows that as of April 1, the United States has 8 months' worth of pennies in inventory, 16 months' worth of dimes, 17 months' worth of nickels, 18 months' worth of quarters, and 26 months' worth of half dollars. In short, except for pennies, the United States has more than a year's worth of inventory of every denomination of coins.

[The chart referred to by Chairman Annunzio may be found at the end of his opening statement.]

Last year, the mint hired a private consultant, at a cost of $85,500, to develop a new model for predicting coin demand. This model was supposed to be scientifically designed and to be more accurate than the previous methods used by the mint. The model was supposed to help the mint accurately plan coin production to meet demand.

Looking at the "Coin Reserve" chart, it appears that not only has the model not done as well as previous methods, but its use may have accelerated the rate of overproduction.

In reviewing the mint's plans for fiscal year 1987, it appears that the mint plans to produce coins sufficiently to meet demand without drawing on its inventory. I appreciate that the mint is concerned that a sudden surge in demand could cause a coin shortage if there was insufficient inventory. However, it certainly appears that current levels of inventory are more than adequate to protect against an unforeseeable coin shortage.

Let me turn to another area. The Statue of Liberty Coin Program has been very successful, and I have great praise for it. It already has raised over $30 million toward the restoration of the statue and Ellis Island. This is cold, hard cash, not merely pledges. The money was needed, and appreciated, by the Statue of Liberty Foundation.

During the past several months, the subcommittee has received much mail regarding the Statue of Liberty Coin Program. Some of that mail is complimentary, particularly regarding the designs and packaging of the coins. Other writers appreciate that the United States is helping rebuild the statue through the sale of the coins.

Much of the mail, however, comes from customers whose orders for Statue of Liberty gold coins were rejected. Any time something sells out, there are sure to be some persons disappointed that their orders could not be filled. Some orders were rejected because they were filled out improperly. Others were rejected because the customer failed to provide a complete credit card number or expiration date. What concerns me, however, is that many of the orders appear properly filled out, but were rejected anyway.

In any large-scale order processing operation, it is inevitable that some errors will be made. But I am concerned with the volume of complaints alleging mishandling, and the mint's inability to give customers specific reasons for the rejected orders. It is a topic that I will explore further today.

[The following tables and charts were submitted for the record by Chairman Annunzio:]

COIN PRODUCTION AND DEMAND
1983-1985
(in millions of coins)

	1¢	5¢	10¢	25¢	50¢
Production	38,876	3,469	4,231	3,810	158
Demand	35,691	3,005	4,077	3,431	119
Excess	3,185	464	154	379	39

ANNUAL COIN PRODUCTION
1983-1985
(in percent of demand)

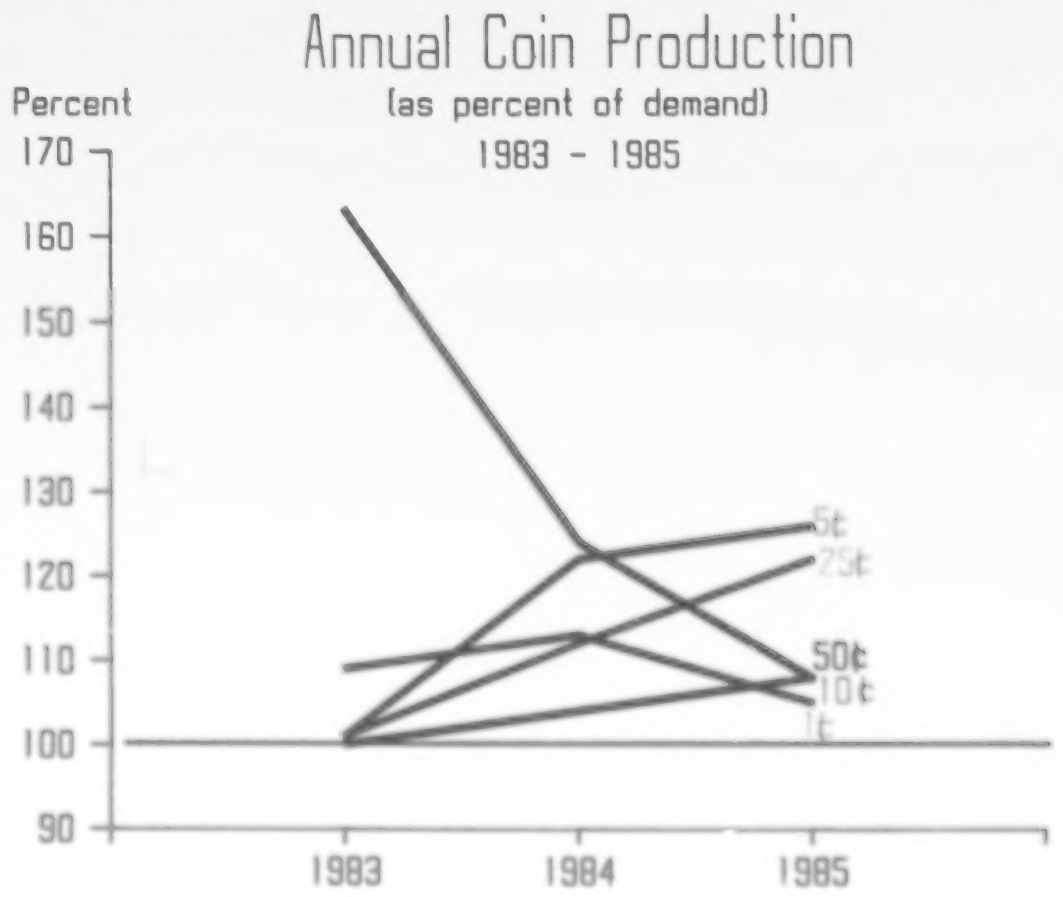
	1¢	5¢	10¢	25¢	50¢	TOTAL
1983	109	101	100	101	163	107
1984	113	122	104	112	124	112
1985	105	126	108	122	108	108
Average	109	115	104	111	133	109

Note: Totals and averages are weighted proportionally to the volume of coins produced.

UNITED STATES COIN RESERVES
(in months of supply)

DATE	1¢	5¢	10¢	25¢	50¢
1/1/84	3.38	4.76	7.70	7.19	14.63
1/1/85	5.15	7.63	7.44	9.79	17.14
1/1/86	6.55	12.08	10.39	12.63	21.00
4/1/86	8.43	16.97	15.58	17.58	26.40

Note: Reserve is a measure of inventory relative to demand. It is measured in months, one month's reserve being equal to the average monthly demand for coins over the preceeding twelve months.


Annual Coin Production
(as percent of demand)
1983 - 1985
Percent
170
160
150
140
130
120
110
100
90
1983
1984
1985
5¢
25¢
50¢
10¢
1¢

United States Coin Reserves
(in months of supply)
Months
30
28
26
24
22
20
18
16
14
12
10
8
6
4
2
0
50¢
25¢
5¢
10¢
1¢
1/1/84
1/1/85
1/1/86
4/1/86

Chairman ANNUNZIO. Mr. Roth, would you like to say something on behalf of the minority?

Mr. ROTH. Thank you very much, Mr. Chairman.

Mr. Chairman, I want to thank you for calling this hearing this morning, and welcome Mrs. Pope to our subcommittee again. She always does a great job, and I believe she is proposing a responsible budget for the mint, which recognizes reduced demands for coinage.

I am interested in what we will be doing with the hundreds of millions of dollars worth of Susan B. Anthony coins which are now gathering dust. I will also be interested in any other comments Mrs. Pope may have concerning the ways we can continue to meet our Nation's coinage needs at the lowest possible cost to the taxpayer.

Mr. Chairman, I looked at the bill that you and Mr. Hiler, my friend, have introduced, and I think it is a step in the right direction. What I like about it, it brings a good commonsense approach to the problem we have here, and it brings into the formula a decent respect for the American taxpayer, which is sometimes lacking, so I want to congratulate you and Mr. Hiler on your legislation.

Chairman ANNUNZIO. We thank you very much for those kind remarks.

At this time, I would like to introduce the former ranking minority member of this subcommittee, who served with me for many years on the House Banking Committee, and he was my gold expert on the subcommittee. When I needed advice on gold, I would always turn to Ron Paul and buzz in his ear or have meetings with him, and he and I got along. I don't think we ever disagreed on a vote. It was through his efforts, his cooperation with me, that we finally got all of the coin programs started.

So, Ron, I welcome you before the subcommittee, and I appreciate all the contributions you made to our gold program. Would you stand?

[Applause.]

Mr. Hiler of Indiana.

Mr. HILER. I thank the chairman and I, too, want to welcome Mr. Paul. I certainly have gained a tremendous amount of insight in the several years I served in the Congress with Ron and subsequently in his further efforts. My office has a lot of communication with people either from his office or the people that work with Ron.

I am also happy to have Mrs. Pope here today. It is always a pleasure to have the mint here to talk about their plans. I am excited to see that this may be one of the few agencies in Government that is voluntarily, without a lot of consternation, coming before the Congress and saying that we can make due with less money than we had last year, because we just plain don't need it.

I know the President's budget recommended reduction in a lot of areas of Government, and sometimes the agency head may not agree with that assessment.

But you agree with that assessment, and we are happy to hear your plans. I look forward to marking up this legislation. This is a timely hearing.

Chairman ANNUNZIO. Thank you very much.

I want to introduce the only witness we have today, but I will preface my introduction by how happy I am that she is here. She is doing a great job at the mint. She is accessible. She works with my staff. She works with me. I conducted an oversight of that mint in Philadelphia. She was there, and I met people there. I want to say Donna, I know of your long experience in the Ohio Legislature. You know what public service is all about. In my book, you are a good public servant.

STATEMENT OF HON. DONNA POPE, DIRECTOR, U.S. MINT, ACCOMPANIED BY EUGENE H. ESSNER, DEPUTY DIRECTOR

Mrs. POPE. Thank you very much, Mr. Chairman.

Mr. Chairman, I have submitted a long statement for the record. I have some brief remarks to make, however.

Chairman ANNUNZIO. Your entire statement, without objection, will be made part of the record. Proceed in your own manner.

Mrs. POPE. Thank you very much.

It is my pleasure to testify on behalf the U.S. Mint's authorization for fiscal year 1987, and with me here at the table is Deputy Director of the Mint, Eugene Essner.

Before I summarize our 1987 request, I would like to highlight our 1985–86 successes.

As you mentioned, we began the Statue of Liberty-Ellis Island Commemorative Coin Program with a highly successful preissue sales effort. This generated over $98 million in gross sales. Sales continue at a strong pace, with total sales now over $124 million; $32.3 million has already been raised for the restoration of the Statue of Liberty and Ellis Island.

We completed the Olympic Coin Program, which resulted in over $73 million being raised. In addition, the U.S. Treasury was benefited by an operating profit of approximately $8 million and a profit on the sale of Government gold and silver of $127 million.

We completed the George Washington Coin Program with a profit in excess of $42 million including silver profit. That profit was used to reduce the national debt.

We also completed the Gold Medallion Program with a contribution to the U.S. Treasury of $691 million over the period 1980 to 1985.

We sold over 3.3 million 1985 proof sets and over 1.7 million 1985 uncirculated sets for a profit of $20.4 million.

The Vietnam Veterans National Medal has been issued and is currently in production.

For the first time, the mint issued a catalog of all its products to its mailing list customers. This effort resulted in a net profit in excess of $5 million just from selling products in our inventory.

We delivered over 15 billion coins in fiscal year 1985 to the Federal Reserve System. This resulted in a net profit to the Federal Government of $516 million.

Some of our research and development projects are beginning to show very productive results. We are proud of these many accomplishments and believe that our plans for the future hold many

more successes, and look forward to the chairman's continuing support and advocacy of the U.S. Mint.

Our goals are the same, Mr. Chairman, to have the U.S. Mint be an efficient, cost-productive operation and maximizing to the extent possible its profitmaking capabilities and making it something the taxpayers can be proud of.

The mint's original fiscal year 1987 budget request for salaries and expenses was $47.808 million and 997 average positions. However, this budget request was based on coin demand forecasts made in the late summer of 1985.

We continue to experience an unexpected and severe decline in coin demand. As a result, we have lowered our fiscal year 1987 salaries and expenses budget request to $43.521 million and 921 average positions. This is the authorization level for which we are asking in fiscal year 1987.

With these lowered resources, the mint plans to produce 13.3 billion coins. This is 1.7 billion coins below the requirement level recently provided by the Federal Reserve. If the Federal Reserve estimate is realized, then our inventories, which admittedly are too large now, will be reduced by 1.7 billion coins.

Our contribution to the Treasury for fiscal year 1987 operations is estimated to be $426 billion, $406 million of which is seigniorage on domestic coins and $20 million is from the sale of numismatic items. This estimate does not include profit from the gold and silver programs.

The mint's fiscal year 1987 budget decrease of $0.979 million is composed of the following:

Decrease of $1.1 million and 39 average positions to decrease coin production; increase of $0.275 million for research and development; increase of $1.362 million to offset inflation; and a decrease of nonrecurring costs of $1.441 million for equipment.

In fiscal year 1985–86, we began several research and development projects with a view to advancing the technology of our production equipment and processes. The U.S. Mint is the largest mint in the world. However, it is not the most up-to-date mint in the world.

Only one new project is going to be started in 1987 to seek further improvements in our production operations, and we will continue on with other projects that have been started.

Three specific projects have already reached a point where we can see a return on our investment. An improved coin press feed system has been designed and passed a prototype test. It is an exciting initial result and I look forward to production testing the system on 10 presses this year.

We believe this improvement could result in at least a 20-percent and perhaps even a 30-percent higher output per press.

Our expectations are also high for a Computer Numeric Control Turning Center to be used in die production and an automated count bag and stack system for coins. You have seen some of our operations and fully understand that they are not the most modern operations.

As far as equipment, this activity includes funds for the replacement of worn out, obsolete equipment. It also requests funds for

four new coining presses to replace worn out presses. Our request for fiscal year 1987 includes $2.328 million for these purposes.

As you know, in May 1984, a construction contract in the amount of $10,143,000 was awarded to Caddell Construction Co. to complete the planned improvements at the Denver Mint.

Building construction is expected finally to be completed in the summer of 1986. With the completion of construction and installation of seven new coining presses, Denver will be able to produce at a capacity of 9 billion coins per year.

We are requesting $694,000 in expansion and improvement funding to complete an automated materials handling system for the expanded facility.

The employment level in our budget request for fiscal year 1987 will be 1,881 work-years; 921 for appropriated activities; and 960 for reimbursable activities. This is 39 fewer appropriated work-years and 160 fewer reimbursable work-years than was authorized in 1986.

The decrease in FTE's for appropriated activities is for the requested decrease in coin production. The decreases in reimbursable FTE's are related to the phase-out of the Statue of Liberty program.

The mint's numismatic and medal program for fiscal year 1987 will have as its base the annual proof coin sets, annual uncirculated coin sets, and congressionally authorized medals. All production operations and sales activities related to these programs are financed from reimbursable funds.

The mint expects to produce and sell 3.6 million proof coin sets and 2 million uncirculated sets during fiscal year 1987. In early fiscal year 1987, the mint will complete the sales and delivery of the Statue of Liberty Coins.

As a result of recent legislation, the mint will begin, in the fall of 1986, selling both gold and silver coins. Both programs will become a part of the mint's recurring programs. We estimate that our first full year of bullion coin operations will result in sales of approximately 2.2 million ounces of gold and 4 million ounces of silver.

We sincerely appreciate the support that this committee has given to the U.S. Mint programs in the past, and we look forward to working with you, likewise in the future.

That concludes my remarks, and I will be happy to answer your questions.

[The prepared statement of Mrs. Pope follows:]

DEPARTMENT OF THE TREASURY

UNITED STATES MINT

INTRODUCTORY STATEMENT OF THE HONORABLE DONNA POPE

DIRECTOR OF THE MINT

FOR PRESENTATION TO THE HOUSE BANKING, FINANCE AND URBAN AFFAIRS

SUBCOMMITTEE ON CONSUMER AFFAIRS AND COINAGE

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, IT IS MY PLEASURE TO TESTIFY ON BEHALF OF THE UNITED STATES MINT'S AUTHORIZATION FOR FISCAL YEAR 1987.

BEFORE I SUMMARIZE OUR 1987 REQUEST, I WOULD LIKE TO HIGHLIGHT OUR 1985/1986 SUCCESSES:

-- WE BEGAN THE STATUE OF LIBERTY - ELLIS ISLAND COMMEMORATIVE COIN PROGRAM WITH A HIGHLY SUCCESSFUL PRE-ISSUE SALES EFFORT. THIS GENERATED OVER $98 MILLION IN GROSS SALES. SALES CONTINUE AT A STRONG PACE WITH TOTAL SALES NOW OVER $124 MILLION. $32.3 MILLION HAS ALREADY BEEN RAISED FOR THE RESTORATION OF THE STATUE OF LIBERTY AND ELLIS ISLAND.

-- WE COMPLETED THE OLYMPIC COIN PROGRAM WHICH RESULTED IN OVER $73 MILLION BEING RAISED. IN ADDITION, THE UNITED STATES TREASURY WAS BENEFITTED BY AN OPERATING PROFIT OF APPROXIMATELY $8 MILLION AND A PROFIT ON THE SALE OF GOVERNMENT GOLD AND SILVER OF $127 MILLION.

-- WE COMPLETED THE GEORGE WASHINGTON COIN PROGRAM WITH A PROFIT IN EXCESS OF $42 MILLION INCLUDING SILVER PROFIT. THAT PROFIT WAS USED TO REDUCE THE NATIONAL DEBT.

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-- WE ALSO COMPLETED THE GOLD MEDALLION PROGRAM WITH A CONTRIBUTION TO THE UNITED STATES TREASURY OF $691 MILLION OVER THE PERIOD 1980 TO 1985.

-- WE SOLD OVER 3.3 MILLION 1985 PROOF SETS AND OVER 1.7 MILLION 1985 UNCIRCULATED SETS.

-- THE VIETNAM VETERANS NATIONAL MEDAL HAS BEEN ISSUED AND IS CURRENTLY IN PRODUCTION.

-- FOR THE FIRST TIME, THE MINT ISSUED A CATALOG OF ALL ITS PRODUCTS TO ITS MAILING-LIST CUSTOMERS. THIS EFFORT RESULTED IN A NET PROFIT IN EXCESS OF $5 MILLION JUST FROM SELLING PRODUCTS IN OUR INVENTORY.

-- WE DELIVERED OVER 15 BILLION COINS IN FY 1985 TO THE FEDERAL RESERVE SYSTEM. THIS RESULTED IN A NET PROFIT TO THE FEDERAL GOVERNMENT OF $516 MILLION.

-- SOME OF OUR RESEARCH AND DEVELOPMENT PROJECTS ARE BEGINNING TO SHOW VERY PRODUCTIVE RESULTS.

WE ARE PROUD OF THESE MANY ACCOMPLISHMENTS AND BELIEVE THAT OUR PLANS FOR THE FUTURE HOLD MANY MORE SUCCESSES.

THE MINT'S ORIGINAL FY 1987 BUDGET REQUEST FOR SALARIES AND EXPENSES WAS $47,808 MILLION AND 997 AVERAGE POSITIONS. HOWEVER, THIS BUDGET REQUEST WAS BASED ON COIN DEMAND FORECASTS MADE IN THE LATE SUMMER OF 1985. WE CONTINUE TO EXPERIENCE AN UNEXPECTED AND SEVERE DECLINE IN COIN DEMAND. AS A RESULT, WE HAVE LOWERED OUR FY 1987 SALARIES AND EXPENSES BUDGET REQUEST TO $43,521 MILLION AND 921 AVERAGE POSITIONS. THIS IS THE AUTHORIZATION LEVEL FOR WHICH WE ARE ASKING IN FY 1987.

WITH THESE RESOURCES, THE MINT PLANS TO PRODUCE 13.3 BILLION COINS. THIS IS 1.7 BILLION COINS BELOW THE REQUIREMENT LEVEL RECENTLY PROVIDED BY THE FEDERAL RESERVE. IF THE FEDERAL RESERVE ESTIMATE IS REALIZED, OUR INVENTORIES, WHICH ARE TOO LARGE NOW, WILL BE REDUCED BY 1.7 BILLION COINS.

OUR CONTRIBUTION TO THE TREASURY FOR FISCAL YEAR 1987 OPERATIONS IS ESTIMATED TO BE $426 MILLION; $406 MILLION OF WHICH IS SEIGNIORAGE ON DOMESTIC COINS AND $20 MILLION IS FROM THE SALE OF NUMISMATIC ITEMS. THIS ESTIMATE DOES NOT INCLUDE PROFIT FROM THE GOLD AND SILVER PROGRAMS.

THE MINT'S FY 1987 BUDGET DECREASE OF $.979 MILLION IS COMPOSED OF THE FOLLOWING:

- DECREASE OF $1.175 MILLION AND 39 AVERAGE POSITIONS TO DECREASE COIN PRODUCTION;
- INCREASES OF $.275 MILLION FOR RESEARCH AND DEVELOPMENT;
- INCREASES OF $1.362 MILLION TO OFFSET INFLATION;
- DECREASE OF NON-RECURRING COSTS OF $1.441 MILLION FOR EQUIPMENT.

RESEARCH AND DEVELOPMENT

IN FY 1985-1986, WE BEGAN SEVERAL RESEARCH AND DEVELOPMENT PROJECTS WITH A VIEW TO ADVANCING THE TECHNOLOGY OF OUR PRODUCTION EQUIPMENT AND PROCESSES. ONLY ONE NEW PROJECT WILL BE AWARDED IN FY 1987 TO SEEK FURTHER IMPROVEMENTS IN OUR PRODUCTION OPERATIONS.

THREE SPECIFIC PROJECTS HAVE ALREADY REACHED A POINT WHERE WE CAN SEE A RETURN ON OUR INVESTMENT. AN IMPROVED COIN PRESS FEED SYSTEM HAS BEEN DESIGNED AND PASSED A PROTOTYPE TEST. IT IS AN EXCITING INITIAL RESULT AND I LOOK FORWARD TO PRODUCTION TESTING THE SYSTEM ON TEN PRESSES THIS YEAR. WE BELIEVE THIS IMPROVEMENT COULD RESULT IN AT LEAST A 20% AND PERHAPS EVEN A 30% HIGHER OUTPUT PER PRESS. OUR EXPECTATIONS ARE ALSO HIGH FOR A COMPUTER NUMERIC CONTROL TURNING CENTER TO BE USED IN DIE PRODUCTION AND AN AUTOMATED COUNT BAG AND STACK SYSTEM FOR COINS.

EQUIPMENT

THIS ACTIVITY INCLUDES FUNDS FOR THE REPLACEMENT OF WORN OUT/OBSOLETE EQUIPMENT. IT ALSO REQUESTS FUNDS FOR FOUR NEW COINING PRESSES TO REPLACE WORNOUT PRESSES. OUR REQUEST FOR FY 1987 INCLUDES $2.328 MILLION FOR THESE PURPOSES.

DENVER EXPANSION AND IMPROVEMENTS

AS YOU KNOW, IN MAY 1984, A CONSTRUCTION CONTRACT IN THE AMOUNT OF $10,143,000 WAS AWARDED TO CADDELL CONSTRUCTION COMPANY TO COMPLETE THE PLANNED IMPROVEMENTS AT THE DENVER MINT. BUILDING CONSTRUCTION IS EXPECTED TO BE COMPLETED IN THE SUMMER OF 1986. WITH THE COMPLETION OF CONSTRUCTION AND INSTALLATION OF SEVEN NEW COINING PRESSES, DENVER WILL BE ABLE TO PRODUCE AT A CAPACITY OF 9 BILLION COINS PER YEAR. WE ARE REQUESTING $694,000 IN EXPANSION AND IMPROVEMENT FUNDING TO COMPLETE AN AUTOMATED MATERIALS HANDLING SYSTEM FOR THE EXPANDED FACILITY.

PERSONNEL

THE EMPLOYMENT LEVEL IN OUR BUDGET REQUEST FOR FY 1987 WILL BE 1,881 WORKYEARS; 921 FOR APPROPRIATED ACTIVITIES; AND 960 FOR REIMBURSABLE ACTIVITIES. THIS IS 39 FEWER APPROPRIATED WORKYEARS AND 160 FEWER REIMBURSABLE WORKYEARS THAN WAS AUTHORIZED IN 1986. THE DECREASE IN FTES FOR APPROPRIATED ACTIVITIES IS FOR THE REQUESTED DECREASE IN COIN PRODUCTION. THE DECREASES IN REIMBURSABLE FTE ARE RELATED TO THE PHASE OUT OF THE STATUE OF LIBERTY PROGRAM.

REIMBURSABLE OPERATIONS

THE MINT'S NUMISMATIC AND MEDAL PROGRAM FOR FY 1987 WILL HAVE AS ITS BASE THE ANNUAL PROOF COIN SETS, ANNUAL UNCIRCULATED COIN SETS, AND CONGRESSIONALLY AUTHORIZED MEDALS. ALL PRODUCTION OPERATIONS AND SALES ACTIVITIES RELATED TO THESE PROGRAMS ARE FINANCED FROM REIMBURSABLE FUNDS.

THE MINT EXPECTS TO PRODUCE AND SELL 3.6 MILLION PROOF COIN SETS AND 2.0 MILLION UNCIRCULATED SETS DURING FY 1987. IN EARLY FY 1987, THE MINT WILL COMPLETE THE SALES AND DELIVERY OF THE STATUE OF LIBERTY COINS.

AS A RESULT OF RECENT LEGISLATION, THE MINT WILL BEGIN IN THE FALL OF 1986 SELLING BOTH GOLD AND SILVER COINS. BOTH PROGRAMS WILL BECOME A PART OF THE MINT'S RECURRING PROGRAMS. WE ESTIMATE THAT OUR FIRST FULL YEAR OF BULLION COIN OPERATIONS WILL RESULT IN SALES OF APPROXIMATELY 2.2 MILLION OUNCES OF GOLD AND 4 MILLION OUNCES OF SILVER.

ANNUAL PROOF COIN SETS

THE FIVE-COIN PROOF SET WHICH IS PRODUCED EACH YEAR CONTAINS ONE OF EACH COIN PRODUCED BY THE MINT (CENT THROUGH THE HALF DOLLAR) AND IS ONLY PRODUCED AT THE SAN FRANCISCO ASSAY OFFICE. ALL OF THE COINS HAVE THE "S" MINT MARK AND ARE OF THE HIGHEST QUALITY, WITH SPECIAL ATTENTION GIVEN TO ALL ASPECTS OF COIN PRODUCTION AND HANDLING. THESE SETS ARE SOLD THROUGH THE MINT'S MAILING LIST, OVER-THE-COUNTER AT THE MINT'S FOUR SALES AREAS, AND AT NUMISMATIC AND FINANCIAL CONVENTIONS THROUGHOUT THE YEAR.

UNCIRCULATED COIN SETS

UNCIRCULATED COIN SETS CONTAIN ONE OF EACH CIRCULATION-QUALITY COIN STRUCK BY THE PHILADELPHIA AND DENVER MINT. UNLIKE COINS IN A PROOF SET, UNCIRCULATED COINS ARE NOT STRUCK ON SPECIAL BLANKS NOR MADE BY A SPECIAL PROCESS.

SUMMARY

THE MINT IS REQUESTING AN APPROPRIATED SALARIES AND EXPENSES AUTHORIZATION OF $43.521 MILLION AND AN EXPANSION AND IMPROVEMENTS APPROPRIATION OF $694,000 TO COMPLETE THE DENVER MINT EXPANSION.

I SINCERELY APPRECIATE THE SUPPORT THAT THIS COMMITTEE HAS GIVEN THE UNITED STATES MINT PROGRAMS IN THE PAST AND LOOK FORWARD TO WORKING WITH YOU IN THE FUTURE.

THIS CONCLUDES MY PREPARED REMARKS. I WILL BE HAPPY TO ANSWER ANY QUESTIONS YOU MAY HAVE.

Chairman ANNUNZIO. Thank you for an excellent statement. I have a few questions. What questions I do not ask today, I will instruct my staff to mail to you.

The Gold Bullion Coin Act requires that the gold used in U.S. gold bullion coins be minted from gold newly mined in the United States. How does the mint plan to implement and enforce this provision?

Mrs. POPE. Well, of course, we would go out with the solicitation for those who wish to sell gold to us, and we would require a certification that it be newly mined U.S. gold.

I understand that there is a careful paper trail kept, and we would expect them to certify to us that it was newly mined U.S. gold. There is a penalty in general law for false certification.

Chairman ANNUNZIO. Are there any efforts being made to sell the American bullion coins overseas?

Mrs. POPE. We have had some discussions with people interested in selling overseas, while we were talking to them about the Statue of Liberty Coin Program. As of this moment, we have not had any official dealings with selling overseas.

Chairman ANNUNZIO. Nothing nailed down, but you are talking?

Mrs. POPE. Yes, and there is tremendous interest overseas for our gold bullion coins. I am looking forward to taking on the Maple Leaf and the gold Krugerrand.

Chairman ANNUNZIO. Will the silver bullion coins go on sale September 1, and the gold coins on October 1, as the legislation for these coins provides?

Mrs. POPE. Our present plan is to have them both go on sale beginning in October, rather than one in September and one in October.

Chairman ANNUNZIO. I am happy to know that. Senator McClure will probably be calling me, and I want to be able to tell him, "Don't worry, your silver coins will be sold on October 1."

Mrs. POPE. Yes.

Chairman ANNUNZIO. You lose some, you win some. All in all, we did a good job, Mr. Hiler and myself, in the conference we had with them.

Will individuals be able to purchase gold and silver bullion coins directly from the mint, or will we have to purchase these coins from middlemen?

Mrs. POPE. Mr. Chairman, as far as the bullion coins which are intended to be an investment item, as is the Krugerrand, the Maple Leaf, the Panda, et cetera, we plan on selling through a broad, direct network, and not by "onesies and twosies" from the mint.

In order to be competitive in the marketplace, there must be a minimum premium over the spot price of gold, and we have to compete with the other gold products on the market. We will develop a broad network, but not sell the regular bullion pieces in ones and twos from the Mint.

It is our plan to do proof versions of both the gold and silver and the proof versions will be sold individually by the Mint.

Chairman ANNUNZIO. As usual, you will be getting the money in advance?

Mrs. POPE. Oh, yes.

Chairman ANNUNZIO. I have several other questions that I will ask my staff director to mail to you, and you can answer them. Before I go on, Mr. Hiler, one comment that Mr. Prins has.

Mr. PRINS. I would like to bring something to the subcommittee's attention. About 3 weeks ago, staff made a visit to the San Francisco Mint. In looking through the San Francisco Mint, we came upon what I think is a rather unique experience in Government. We found a machine shop that was probably cleaner than any house I have ever been in, with the most perfectly kept machinery. What made it even more surprising is that there was a machine in there that I had never seen before. It was a machine that automatically takes a coin and sticks it in the plastic pouch and then closes it. This machine, if it was purchased on the outside, the R&D costs, the profit, would probably cost several hundred thousand dollars. It was designed, built, developed and everything by a mint employee at no cost to the Government. This gentleman has designed several of them, and is constantly working on things such as this.

I know the gentleman has been nominated for the Director's award, but here is a case where, if this had not been done, it would have cost the Government another couple hundred thousand dollars in either a machine or people to physically do this.

We were not able to meet this gentleman because his shift was going off when we got there, but I wanted to bring it to the subcommittee's attention. We want to recognize people who do not only a good job, but save the Government an awful lot of money.

Mr. HILER. Mr. Chairman, possibly since staff was not able to meet the gentleman, maybe we should have a subcommittee hearing take place out there to meet the gentleman? Maybe we should visit San Francisco in the early summer.

What do you think?

Chairman ANNUNZIO. I want you to know, as Mrs. Pope knows, I favor that idea very much. I have been to Philadelphia, but I haven't been to the San Francisco Mint. It is about time.

Mr. HILER. Well, my schedule is open.

Mrs. POPE. We would be delighted to have you as well, and keep in mind that we will have some ceremonies when the Denver Mint expansion is completed this summer.

You might want to consider combining the two.

Mr. HILER. Maybe that could be in February.

Mrs. POPE. February would be a very nice time. We are very proud of Mr. Luebben as well. He is a German gentleman who has worked a long time at the mint. He will receive the Director's award, the nonmonetary award. I use it to award people without using formal strict criteria. He has also been nominated by the officer-in-charge for a award.

Chairman ANNUNZIO. Mr. Hiler.

Mr. HILER. I have a few questions concerning the bullion program. The figure you gave was, you hoped to sell about 2 million of the gold bullion coins. Was that correct?

Mrs. POPE. 2 million ounces, yes.

Mr. HILER. I am a little bit concerned about the way the coin is going to be advertised. I understand that in 1985 the Royal Canadian Mint spent about $11 million to advertise their coin, and that

program sold about 1.8 million coins, somewhat less than our bullion program is going to sell.

Are we planning on advertising the coin to the extent that the Canadians have or that the South Africans have, as they have advertised even more than the Canadians, or are you concerned about the relationship between the amount we will advertise the coin and the amount we hope to sell? Does that follow?

Mrs. POPE. I think I can safely say we probably will not put in as much advertising as Intergold and the Krugerrand did at first. We have to be careful how much money we spend in advertising, because if we spend too much, it will raise the premium and we will not be competitive.

We have not yet developed an advertising budget. We will do more advertising at the onset of our program, to make sure everyone knows that there is a new kid on the block, and you can now buy a U.S. gold product, but hopefully, our distribution network will also advertise for their own benefit as well, rather than us spending a great deal of money in advertising.

I should also say that there is more interest in this legislation, as I have been traveling around, and more knowledge of this particular product coming on the market than knowledge of—and I fear I might be jumping on Congressmen's toes—than some of the other legislation that heads through Congress.

People are not aware of much other legislation that I think is important, but as I travel around, people are saying, "You are going to have a gold program coming on, aren't you?" The awareness is really there.

Mr. HILER. Well, I would hope you monitor that very, very closely, because I would hate to see us—this is nowhere near going to be the disaster that the Susan B. Anthony was. I am concerned that this program be successful, and you sell those 2 million ounces, and the Canadians spent $11 million in 1985, and that was not startup costs, but well into the program.

It is a competitive market, and I am sure there are a certain amount of coins that will sell in the United States, because it is a U.S.-minted coin. I hope we follow that very, very closely, so we can make the program a success, and the small amount we put into advertising could reap huge benefits.

The second thing about the coin, it is my understanding, and maybe you could better inform me, but the coin may be having Roman numerals on it, is that correct?

Mrs. POPE. That is correct. The design chosen by the Secretary pretty well follows the design of the traditional, probably the most popular gold coin, the St. Gaudens, and that had Roman numerals, and this one will as well. We will be meeting with representatives of the Fine Arts Commission this afternoon.

Mr. HILER. My information, I don't remember back in 1907, when the coin was issued.

Mrs. POPE. That is one of the few years I don't remember, either.

Mr. HILER. Maybe we will have to give the President a call and ask him. My understanding was at least initially that that coin had some difficulty going into the marketplace.

Mrs. POPE. I am not an expert on that. Some had Roman numerals and some did not. I don't know whether it had difficulty going into the marketplace or not.

Mr. HILER. I have a number of other questions as well, but for the sake of brevity, I will submit some for the record, and you can respond at your leisure, but there is one further question.

The chairman, who does an admirable job at trying to be an extremely fair individual in these kinds of matters, but he is deluged with people that want to have congressional gold medals struck.

I know we have fairly stringent requirements in the committee of coming up with 218 signatures. It is getting easier to get 218 signatures than it once was.

Has the Congressional Gold Medal Program, which is supposed to pay for itself with the selling of bronzes to pay for the striking of the gold medal, are we coming out anywhere close to breaking even on that, or are we losing money on the Congressional Gold Medal Program?

Mrs. POPE. It depends on the subject. Some of the medals come close and some do not. A few make money. I suppose it boils down to what is the intent of Congress as far as the giving of the medals.

If it is to make money, then I might suggest that the subjects are not always the most marketable ones. However, if it is to honor a particular outstanding person, then you don't take into account the marketability.

However, I will say the obvious, that is in the giving of any medal, award, or anything else, selectivity is the key to whether it is truly an appreciated award or not. But as far as being money-makers, if that is the bottom line question, they are not.

Mr. HILER. That would not be Congress' intent that these medals make money. If they could, that is great, but it is not like a Statue of Liberty Coin Program or an Olympic Coin Program. There is a different intent.

Could there be ways to make the program most cost-efficient? Some have suggested the possibility of maybe going to a standard gold medal, a congressional gold medal coin, so people would be presented a standard coin rather than an individually struck coin?

Are there things that we could do that make sense, or by and large, do you think we are doing it the way we ought to be?

Mrs. POPE. As followup to that particular suggestion, a standard reverse for all congressionally authorized medals would save engraving costs and production costs. That might be one way. I have always felt very strongly about having something tie into the person getting the award, but certainly, a standard reverse would be helpful.

Mr. HILER. That would mean you would—one side of all the coins would be the same, and you would just strike a different image of the honored individual on the other side?

Mrs. POPE. Yes.

Mr. HILER. Does it take twice as much effort to do two sides as one side?

Mrs. POPE. Half of the startup, initial engraving, and manufacture costs, yes.

Mr. HILER. Well, thank you very much. I will have some further questions I would like to submit that could be answered for the record.

Chairman ANNUNZIO. Mr. Hiler, I turned over to the staff director several questions I am going to mail. He brought out an excellent point. To give you an example, the John Wayne Congressional Medal, we made a lot of money on John Wayne. Everybody was looking forward to buying the John Wayne. Now, we had this Harry Chapin, you know, the singer who donated all his money to the hunger program. I don't know if it is going to make any money. From the appearances at the hearing, it would appear to me that we probably will make money on that one. I don't think we made any money on Danny Thomas, to give you an example.

Mrs. POPE. Not yet.

Chairman ANNUNZIO. The Canadian Ambassador that helped us in Iran. We had a gold medal for him. The President invited us, and I was there when the President made the presentation. No one knows the Canadian Ambassador. We don't have that many John Waynes around. Do you have a list of those that made money?

Mrs. POPE. A partial list.

Chairman ANNUNZIO. I like Mr. Hiler's idea.

Mrs. POPE. Since you mentioned Danny Thomas, his medal was presented in April 1985, so it has been just about a year ago. In some cases, it takes a while before we actually begin operating in the black with the sale of medals. With Danny Thomas, we are still in the red about $10,000.

As far as Harry Truman——

Chairman ANNUNZIO. At that point, let me interrupt, $10,000 is not a lot of money to be in the red, but we can get out of the red if there was a way we could let the Lebanese community of America know that this bronze medal of Danny Thomas is available.

Take Mr. and Mrs. Shcharansky; they were voted gold medals. I am sure when those bronze medals are out, many people, human rights, in the Jewish community, I find that that is how these coins are sold.

We have to let these ethnic groups know, and we have got to let these other people that are interested in the musicians and singers know that the medals are available. Go ahead.

Mrs. POPE. Did you want to hear some more of these, Mr. Chairman? The Harry Truman Medal, we have just gone into the black at about $4,000.

Chairman ANNUNZIO. That is a good point that you have made. You see, it takes some time, but eventually they wind up in the black.

Mrs. POPE. On some of the subjects. The smaller medals in duplicate form are good sellers. When we make the miniatures, instead of the big 3-inch medals, they sell well, and generate profits.

The other two winners over the past several years have been the Queen Beatrix of the Netherlands Medal and the transatlantic balloonists.

Chairman ANNUNZIO. The Dutch people came through and the balloonists came through. This is the way to sell these items.

Mrs. POPE. Short of those, most of the others have not yet turned into the black, and as you said, John Wayne was very popular. We made over $600,000 on it.

Chairman ANNUNZIO. He makes up for all the losses. They cost about $20,000 each, so $600,000, plus the profits that we have turned over to the Treasury Department.

Mr. HILER. Can't we do a revised John Wayne, a sequel, the John Wayne II?

Chairman ANNUNZIO. Nevertheless, I am going to give serious consideration, and I wish you would give us some ideas, too, on Mr. Hiler's suggestion. You mentioned about duplication of the engraving expense, and so forth, a lot of that maybe can be eliminated. The loss is really not that great as far as I am concerned.

Mrs. POPE. For honoring outstanding Americans, I don't really think it is anything to be alarmed about.

Chairman ANNUNZIO. We have to understand, too, the significance of honoring these people, what it means to America. I am sure the various groups that sponsor these congressional gold medals are the people that are interested, if it were made known to them that they were available, they would come through.

Mr. Roth.

Mr. ROTH. Thank you, Mr. Chairman.

To dovetail into what the chairman mentioned, you had said in your testimony that you have published a catalog.

Mrs. POPE. Correct.

Mr. ROTH. It has had good reception. Maybe that is one way of marketing the coins. How often are you going to update that catalog, and how will you promote it?

Mrs. POPE. We issued the catalog last fall for most of the products in it and we promised Christmas delivery. It was kind of a Christmas gift catalog. We are not talking about a Sears catalog. It is a small catalog, and we will do one every year, and our plan is to do it as a Christmas holiday catalog.

We are presently putting this year's together. We did offer some of the popular medals and some of the newer medals in our last catalog, and we will do that each year. One of the problems in the past was that even our good mint mailing list was not being made aware that new medals are on the market.

Mr. ROTH. Maybe in the catalog, in the front, you could have a Susan B. Anthony dollar?

Mrs. POPE. We are selling, for the first time, Susan B. Anthony dollars. It was raised at one of our authorization hearings about people who wanted them but couldn't get them. We always issue coins through the Federal Reserve Bank.

There were 500 million Susan B. Anthony's in inventories, and yet, people couldn't get one. My staff would explain to people making inquires that they have to go to their local bank, but customers would say, "They don't have any." "Then you must go to your Federal Reserve," the staff would answer.

Finally, it sounded like a bunch of bureaucratic nonsense, so we devised a way to sell them directly to the public for probably the first time, as far as circulating coins are concerned.

We sell bags of Susan B. Anthony dollars, 2,000 in a bag, the original bags, and you can buy them with only a $50 handling and

delivery charge. Or we sell a bag of 100 Susan B. Anthony's and specify which mint mark you want, and there is a $20 handling charge. Or for those who want to buy fewer, we are putting them in packages of six in all, one from each year they were minted for circulation, and one from each of the mints, six in all, and we sell them for $10, and it is amazing, we were surprised at the response.

Mr. ROTH. How many of these Susan B. Anthony dollars do we have in storage? How much does it cost to keep them in storage? What are we going to do about getting them into circulation?

Mrs. POPE. Between the Federal Reserve and the mint storage, there is approximately 500,000 in storage; 500 million, I am sorry, in storage.

Actually, we are paying for the storage of just a small amount of them in the Denver Fed, and we pay $24,000 for the storage of those.

Otherwise, they are in the Federal Reserve System, or in our mint vaults in deep storage. It is costing $24,000 for additional storage.

Mr. ROTH. For the additional. Not counting storage in the Federal Reserve, whatever it was you said?

Mrs. POPE. Correct.

Mr. ROTH. What are we doing with this half billion of these you have on hand?

Mrs. POPE. Actually, unless there are transit systems who decide to go to using a dollar coin, or vending machines decide to use the dollar coin, we don't really have any plans for them. They are on the books at their dollar face value.

One of the questions most asked is how much did the Government lose by making those coins, and the honest answer is, not anything. Ninety-seven cents seigniorage or profit went on the books for each one there is. There was a great push to get them in circulation before my watch at the mint, and they just didn't fly.

There was money spent on public relations efforts to get them to move, and it didn't work. I don't know that it is wise to put a lot of money into further public relations unless there is a genuine use for them.

Mr. ROTH. If we find they are not going to be accepted by the public, you can advertise until you-know-what freezes over, and that is not going to help.

Mrs. POPE. Right.

Mr. ROTH. The chart here is very interesting. How do you project how many coins are going to be needed? As I look around here, every American has an average of seven credit cards. We are not using money like we did before. What kind of formula did you use for arriving at those figures?

Mrs. POPE. I am delighted that you asked that question, because of some of the comments that the chairman made in his opening statement.

In past years, I am going to have to take you through a history of this, the mint used strictly historical growth in predicting coin demand. They took the previous year and added on about a 7.5-percent growth rate, because they decided that was historically correct.

About the time I got to the mint, that was not working very well We went to using the M1 money supply to predict coin demand. When money supply went down, perhaps we would see the drop in coin demand.

That worked for 1 year, and then money supply went up and coin demand kept going down. We said, what is going on? Seven and one-half percent doesn't work. The money supply number, which was about 5 percent, wasn't working. Now what?

We contracted with DRI, Data Resources, Inc., to take a look at this whole area. Now, there had been other studies done in the past, and I know the chairman has said, they were unsuccessful in coming up with a formula that would work.

Actually, they were not looking at any predictive capabilities whatsoever in the past studies. DRI looked at the whole situation and came up with a model that we can use, and the model includes as the main ingredients, changes in population, changes in inflation, changes in the price of retail nondurable goods, and an attrition factor.

Now, DRI, in their study, did use assumptions that we did not particularly agree with. Some members of the committee have the DRI study that shows a fantastic number of coins needed in the out years.

We chose not to use their assumptions, and are plugging in our own. They used an 11.5-percent attrition rate assumption. When we prepared our 1987 budget back in 1985, we used an 8-percent attrition rate.

Since then, we have looked at that again, and decided that was an incorrect attrition rate, and we are now using a 6-percent factor in the model formula. I know that the chairman feels, at least I have the indication from his statement, that the DRI study did not work. Actually, the model that we now have, when we have now used our own assumptions and plugged them into the model, going back over past years, and we can now see, at least from what we have done, that it is much closer.

And I might say if we had used the old formula with a 7.5-percent growth or the other formula with a money supply growth, both would have predicted more coins than what the DRI study predicted. And more than we asked for in our budget. So while it may not be perfect, it is much better than what we had before.

While it is not a good move to disagree with the chairman of your oversight committee, I do have to point out that that particular study did not contribute to the accelerated rate of overproduction.

Mr. ROTH. Thank you. Thank you, Mr. Chairman.

Chairman ANNUNZIO. Mr. Prins has just one question, and then we are going to proceed with the markup.

Mr. PRINS. Are any mint employees or mint officials currently required to take annual unpaid furloughs?

Mrs. POPE. No.

Mr. PRINS. You don't take a furlough anymore?

Mrs. POPE. No.

There is a settlement procedure where we do inventories at our mints, and during that period of time, our employees, if they don't have unused leave, then in those cases, well, Gene, explain that.

Mr. PRINS. I understand that procedure, but people in your office are not required to take any unpaid furlough days anymore. When did that stop?

Mrs. POPE. No. It was only done in 1 year, 1982, and it was only the headquarters staff that took 5 days that year.

Mr. PRINS. Thank you, Mr. Chairman.

Chairman ANNUNZIO. Well, on behalf of the entire subcommittee, we thank you for being with us today, and we certainly appreciate it.

Mrs. POPE. Thank you, Mr. Chairman. It really always is a pleasure.

[Whereupon, at 11 a.m., the hearing was adjourned.]

[The following written questions were submitted to Mrs. Pope by Chairman Frank Annunzio and Congressman John P. Hiler. Mrs. Pope's answers are attached:]

HONORABLE DONNA POPE
UNITED STATES MINT

QUESTIONS SUBMITTED BY CHAIRMAN ANNUNZIO FOR HONORABLE DONNA POPE

1) Five percent of the valid orders submitted by the Treasury auditors in their test of the Olympic coin program were rejected. What steps has the Mint taken to reduce that number of unjustified rejections during the Statue of Liberty program? What is your estimate of the percentage of good orders rejected during the Statue of Liberty program? What is your estimate of the percentage of bad orders accepted during the Statue of Liberty program?

2) Mailings of Prestige sets of Statue of Liberty coins has been slow, according to news reports, due to delays in the supplier providing cases. Are these cases the subject of a lawsuit by another supplier? If so, what is the status of the lawsuit?

3) How many financial institutions have signed up for the consignment sales for the Statue of Liberty coins? How does this compare with participation in the Olympic coin program?

4) Does the Mint have a procedure by which it audits the accuracy of the order processing by Mellon Bank, much as the Treasury auditor submitted test orders to the Mint during the Olympic coin program? If so, what is the accuracy rate for processing Statue of Liberty orders?

5) The Subcommittee has received a number of letters from persons alleging that the Mint lost their checks for Statue of Liberty coins. What procedures exist for accounting for checks?

6) To date, how many Statue of Liberty coins have been sold overseas?

7) There is some confusion over whether the Mint sold gold Statue of Liberty coins to overseas purchasers. Initial reports were that the gold coins were not sold outside the United States, but later reports quoted a Mint official that there were at least three foreign dealers who purchased coins from the Mint. Could you clarify this situation?

8) The Subcommittee has received a number of complaints from servicemen that bulk rate order forms mailed to APO and FPO addresses were not received in time to place Statue of Liberty coin orders. What can be done to prevent this from occurring in the future?

9) During the course of the Olympic coin program, the Mint received over $900,000 in credit card chargebacks. The Mint was slow in collecting these accounts. Why?

10) What amount of Olympic coin chargebacks remain outstanding and what efforts are being made to collect them?

11) In 1983 the Treasury auditors, with the assistance of the Secret Service, submitted test Olympic coin orders to the Mint. Of the 116 orders received by the Mint, 32 orders, or 28 percent, were improperly accepted or rejected. What has been done to assure that improper processing does not occur during the Statue of Liberty program?

12) The summary of the DRI Model of Coin Demand predicted an increase in the net payout of pennies, nickels, dimes and quarters of 11.2 percent between fiscal year 1986 and fiscal year 1987. With fiscal year 1986 more than half over, is that prediction likely to be fulfilled?

13) In December 1985, the San Francisco Assay Office fired five handicapped workers the week before Christmas. A Federal judge stayed the firings. What is the current status of the case?

14) How well are the Vietnam veterans national medals selling?

QUESTION: Five percent of the valid orders submitted by the Treasury auditors in their test of the Olympic Coin Program were rejected. What steps has the Mint taken to reduce that number of unjustified rejections during the Statue of Liberty Program? What is your estimate of the percentage of good orders rejected during the Statue of Liberty program? What is your estimate of bad orders accepted during the Statue of Liberty Program?

ANSWER: In order to correct difficulties experienced in processing orders during the Olympic Coin Program, the United States Mint has developed a new order processing system, purchased new computer hardware, contracted with a major bank for lock-box services, and relocated its order processing and customer service operations from San Francisco to Lanham, Maryland. New staff has been hired and trained and the new facility is in full operation. We feel that if any orders have been processed improperly the number is very small and we will make the necessary corrections as they are discovered.

QUESTION: Mailings of Prestige sets of Statue of Liberty coins has been slow, according to news reports, due to delays in the supplier providing cases. Are these cases the subject of a lawsuit by another supplier? If so, what is the status of the lawsuit?

ANSWER: On April 1, 1986, the U.S. District Court of Massachusetts dismissed two counts of a three count suit against the Mint that was brought by Design Pak Inc. Essentially, Design Pak charged that the Mint did not properly follow the procurement guidelines issued by the Department of the Treasury in its contracting for the Statue of Liberty coin packaging. The District Court Judge, Rya Zobel, held, however, that the procurement waiver provision in the Statue of Liberty-Ellis Island Act (Act) precluded judicial review of the Mint's actions.

The only remaining count before the District Court after this ruling concerned the Prestige Set. Design Pak alleged that this set did not fall within the purview of the Act (and thus the waiver) as it contains the Mint's proof set in addition to Statue of Liberty coins. The contractor also charged that the Mint failed to follow the Federal Acquisition Regulations in its procurement of the Prestige packaging.

On May 15, 1986 a hearing was held before Judge Zobel to hear arguments on the jurisdictional issue as it relates to the Prestige contract. To supplement the hearing, the U.S. Attorney also filed a Motion to Dismiss based on an affidavit by Glenn Carter, Assistant Director for Procurement, attesting to the fact that the Prestige set offering is clearly under the Statue of Liberty coin program and has always been treated as such by Mint personnel. On June 3, 1986, the judge held that the Prestige Set was also under the SOL program and the waiver did apply. The contractor may now appeal to the Court of Appeals, but we are hopeful that the SOL Program will be completed before the Court has the opportunity to hear the case.

QUESTION: How many financial institutions have signed up for the consignment sales for the Statue of Liberty coins? How does this compare with participation in the Olympic coin program?

ANSWER: As of June 5, 4598 institutions were selling U. S. Liberty Coins on consignment. On the Olympic Coin Program, 2668 financial institutions sold coins on consignment.

QUESTION: Does the Mint have a procedure by which it audits the accuracy of the order processing by Mellon Bank, much as the Treasury auditors submitted test orders to the Mint during the Olympic coin program? If so, what is the accuracy rate for processing Statue of Liberty orders?

ANSWER: The United States Mint does not have a formal testing program of the order processing at Mellon Bank similar to that conducted by Treasury auditors. The Mint's and Mellon Bank's order processing systems have audit trails to permit the retracing of any order processed. In addition, we review on a daily basis accounting and order processsing reports, order documents, data entry tapes, and supporting documents. These documents are reviewed upon receipt to determine that total funds received are in agreement with order entry data. Since November 1985, the Mellon Bank has processed over 1.4 million orders with a minimum of adjustments necessary.

The Treasury auditors have conducted testing of Statue of Liberty order processing as was done during the Olympic Coin Program. The results of their tests are being compiled and will be included in a report to the Mint.

QUESTION: The Subcommittee has received a number of letters from persons alleging that the Mint lost their checks for Statue of Liberty coins. What procedures exist for accounting for checks?

ANSWER: Since November 1985, we have processed over 1.4 million orders for numismatic coins, of which approximately 1.2 million were check orders. When you are dealing with this magnitude of orders, there is the possibility that isolated remittances may be misplaced. We have found that several things can happen such as the order being lost in the mail; the check becoming separated from the order in processing or the check not being sent in with the order. These instances are rare. Operating procedures spell out the requirements for handling remittances and balancing our processing which is done on a daily basis. Employees are continually retrained in the proper handling of remittances, and supervisors closely monitor processing operations.

QUESTION: To date, how many Statue of Liberty coins have been sold overseas?

ANSWER: As of May 30, 1986, the international sales figures for the Statue of Liberty program are as follows:

Gold:	3,574	coins
Silver:	119,199	coins
Clad:	94,835	coins

The total surcharges generated as of May 30, 1986 are $1,149,153.

QUESTION: There is some confusion over whether the Mint sold gold Statue of Liberty coins to overseas purchasers. Initial reports were that the gold coins were not sold outside the United States, but later reports quoted a Mint official that there were at least three foreign dealers who purchased coins from the Mint. Could you clarify this situation?

ANSWER: All of the distributors chosen for the international sales campaign last fall were offered the option of ordering the coins during the pre-issue discount period. This option was also open to domestic dealers. Most of the foreign distributors chose not to order the coins at that time because of the currency exchange risk. However, three foreign distributors bought a total of 3,454 gold coins. An additional 120 gold coins were sold to U. S. Embassy employees during the pre-issue period.

QUESTION: The Subcommittee has received a number of complaints from servicemen that bulk rate order forms mailed to APO and FPO addresses were not received in time to place Statue of Liberty coin orders. What can be done to prevent this from occurring in the future?

ANSWER: The U. S. Liberty gold coins sold out in just two months. Accordingly, there were people, servicemen and others, who found that by the time they received their order form, and then mailed their order, all gold coins had been sold.

On the other hand, ample supplies exist of the silver dollar and the half dollar; we anticipate that they will be available through December 31, 1986, the end of the program. Servicemen should have plenty of time to order Liberty silver dollars and half dollars.

The Statue of Liberty pre-issue discount mailing was sent by third class mail. For APO and FPO addresses, this meant that surface transit was used. For future mailings, FPO and APO addresses will be mailed using air transit.

QUESTION: During the course of the Olympic coin program, the Mint received over $900,000 in credit card chargebacks. The Mint was slow in collecting these accounts. Why?

ANSWER: During the Olympic Coin Program sales made through the use of credit cards exceeded $ 35.4 million. Of this, a total of $810,999.45 was charged back by customers after their coins had been shipped to them.

Mint customer service personnel were initially assigned responsibility for resolving situations in which a credit card customer had charged back the purchase yet still had the coins. This staff was also heavily involved in other customer service efforts related to the Olympic Coin Program; all of these efforts were on a much larger scale than any earlier coin program.

Due to the large amount of workload in the customer service area, the responsibility for the collection of what were essentially accounts receivable was transferred to the Mint's San Francisco Financial Management operation. Through the efforts of that group and the use of a government-wide contract for debt collection, substantial progress has been made in collecting these accounts.

QUESTION: What amount of Olympic coin chargebacks remain outstanding and what efforts are being made to collect them?

ANSWER: As of May 30, 1986, the outstanding balance of credit card chargebacks for the Olympic Coin Program was $123,432.05.

The Mint is vigorously pursing collection of these accounts receivable. In many cases the customer has claimed non-receipt of the coins or that coins were returned. In such cases the circumstances must be carefully investigated before more formal action is taken. In those cases in which the customer can substantiate non-receipt or return can be verified, the case will be closed.

In addition to the Mint's efforts, the services of a government-wide debt collection contractor are being used for accounts the Mint is unable to collect. Fraud cases are being handled by the Secret Service. And, starting with income tax refunds to be issued in 1987, any remaining debts in excess of $25.00 can be collected by offset against refunds due the debtor.

QUESTION: In 1983 the Treasury auditors, with the assistance of the Secret Service, submitted test Olympic coin orders to the Mint. Of the 116 orders received by the Mint, 32 orders, or 28 percent, were improperly accepted or rejected. What has been done to assure that improper processing does not occur during the Statue of Liberty program?

ANSWER: The United States Mint has installed a new order processing system including software and hardware; contracted with a major bank for lock-box processing services; relocated order processing operations from San Francisco to Lanham, Maryland; hired and trained new staff, and expanded our use of OCR readable order documents. We feel all of these items have helped to greatly improve our processing of customer orders.

QUESTION: The summary of the DRI Model of Coin Demand predicted an increase in the net payout of pennies, nickels, dimes and quarters of 11.2 percent between fiscal year 1986 and fiscal year 1987. With fiscal year 1986 more than half over, is that prediction likely to be fulfilled?

ANSWER: The revised coin demand estimate for Fiscal Year 1987 based on the DRI Model is 13.3 billion coins. This represents an increase of 5.6% over Fiscal Year 1986. The revised estimate reflects an inflation rate of 2.9% and attrition of 6%. The original DRI estimate was based on higher inflation and higher attrition.

QUESTION: In December, 1985, the San Francisco Assay Office fired five handicapped workers the week before Christmas. A Federal judge stayed the firings. What is the current status of the case?

ANSWER: Nearly one year ago, five employees at the San Francisco Assay Office were given unacceptable performance appraisals. In July, they were placed on sixty day trial periods during which they were given the opportunity to meet the minimal requirements of their coin checker jobs. The employees continued to perform unsatisfactorily. In accordance with federal regulations, they were then issued a proposed notice of removal. During this process, the employees were expressly and repeatedly asked to inform the U.S. Mint if they had any physical impairments that could be accommodated for them to be able to do their job. Their supervisors never received any medical evidence to support a claim of handicap, or what accommodation to them could be made.

Upon receipt of the proposed removal notices, the employees sought relief in the Federal District Court of Northern California. They alleged that the Mint plans to terminate them for unacceptable performance without providing reasonable accommodations for their physical and mental conditions. They requested injunctive relief barring the Mint from removing them from their positions and that they be given reasonable accommodations in reference to their condition to maintain their current positions.

On January 24, 1986, the District Court granted a preliminary injunction for sixty days requiring the Mint to refrain from further processing the removals. Under the Court order, the employees were required within thirty days to submit documentation to the Court which supports their claims of being qualified handicapped persons under the Rehabilitation Act of 1973. It is the Mint's position that the medical information submitted to the Court by the Plaintiffs clearly do not support their claims of handicap.

On May 2, 1986, the Judge extended the injunction to allow the employees to be certified that they are handicapped, if applicable, by the California Department of Rehabilitation. After reviewing the documentation, the District Court will convene a further hearing this month to determine if the preliminary injunction should remain in effect throughout the trial period. It should be noted that one of the Plaintiffs, Ms. Roberta Butler, has been performing at the fully satisfactory level since being issued her proposed removal. Based on this excellent improvement, the Mint has cancelled its notice of proposed removal to her.

QUESTION: How well are the Vietnam veterans national medals selling?

ANSWER: As of June 4, 1986, the total sales for the Vietnam veterans national medal are as follows:

#685 (Small Medal) - 986
#686 (Large Medal) - 149

These medals were announced to the public on April 16, 1986. They will be featured in our upcoming catalogue.

QUESTIONS FOR THE HONORABLE DONNA POPE, DIRECTOR OF U.S. MINT, FROM CONGRESSMAN JOHN P. HILER

1. Please list the Congressional Gold Medals authorized from 1968 through 1982, and the profit or loss each medal has realized to date.

2. What measures might be implemented to reduce the cost of Congressional Gold Medals?

3. The 500,000 Statue of Liberty gold coins authorized by law were sold out during the pre-issue discount sales period. What would be the probable implications for future commemorative coin programs, if Congress were to authorize the striking of additional Statue of Liberty gold coins?

4. Your policy for pre-issue discount sales of Statue of Liberty commemorative coins was to sell the coins on a "first come, first serve" basis, while reserving the right to limit the number of coins sold to individual purchasers.

   a. In retrospect, do you think that this was an appropriate policy?

   b. Do you think that it might have been appropriate to set aside a certain number of coins specifically for sale to U.S. and foreign dealers?

   c. In light of your experience with the Statue of Liberty pre-issue discount sales, how might you modify the way you handle future commemorative coin sales?

5. How has the U.S. Mint used the procurement exemption that Congress granted it in connection with the Statue of Liberty/Ellis Island Commemorative Coin Program?

6. Will the gold sourcing restrictions contained in the Gold Bullion Coin Act present any problems or handicaps for the U.S. Mint?

Question: Please list the Congressional Gold Medals authorized from 1968 through 1982, and the profit or loss each medal has realized to date.

Answer:

UNITED STATES MINT
CONGRESSIONALLY AUTHORIZED MEDALS
SUMMARY OF MEDAL SALES

MEDAL	DATE PRESENTED	MEDALS SOLD	SALES REVENUES	COST	GAIN/ (LOSS)
Walt Disney	3/20/69		Legislation specified that Walt Disney Productions pay for the cost of the gold medal. All bronze duplicates were paid for and distributed by Disney Productions.		
Winston Churchill	11/17/69		Legislation specified that Westminister College pay for the cost of the gold medal. All bronze duplicates were paid for and distributed by Westminister College.		
Roberto Clemente	1974		Legislation specified that Pittsburgh Chamber of Commerce pay for the cost of the gold medal. All bronze duplicates were paid for and distributed by Pittsburgh Chamber of Commerce.		
Marian Anderson 3"	10/16/78	767	$7,215.00	$27,120.26	($19,905.26)
Lt. General Ira Baker 3"	12/17/79	565	$4,920.00	$23,540.81	($18,620.81)
John Wayne 3"	7/5/80	76,186	$686,229.00	$601,492.76	$84,876.64
John Wayne 1 5/16"		180,492	$746,918.00	$231,047.47	$515,870.53
Elmer Wiesenthal 3"	8/5/80	954	$8,456.00	$21,787.06	($13,331.06)
Centennial of Red Cross 1 1/2"	5/21/81	38,818	$48,971.00	$34,195.29	$14,775.71
Robert Kennedy 3"	6/5/81	4,355	$42,752.00	$13,355.48	($47,397.48)
Robert Kennedy 1 5/16"		70,776	$44,288.50	$17,317.66	$26,970.84
Ambassador Kenneth Taylor 3"	9/8/81	6,029	$60,291.00	$99,647.29	($39,442.29)
Transatlantic Balloonists 1 1/2"	10/5/81	33,782	$48,955.00	$36,857.25	$12,108.65
Queen Beatrix-Netherlands 1 1/2"	12/11/82	29,995	$45,218.00	$29,183.16	$6,127.84
Louis L Amour 1 1/2"	4/24/83	12,173	$24,346.00	$29,956.54	($5,610.54)
Admiral Rickover 1 1/2"	11/11/83	5,107	$10,214.00	$26,571.71	($20,757.71)
Fred Waring 1 1/2"	12/15/83	7,915	$7,872.00	$20,445.71	($12,614.71)
Joe Louis 1 1/2"	5/11/84	17,759	$27,500.00	$31,622.12	($7,622.12)
Hubert Humphrey 3"	9/11/84	460	$5,900.00	$31,014.04	($26,114.04)
Congressman Leo Ryan 1 1/2"	11/29/84	1,083	$4,126.00	$19,063.24	($14,937.24)
Harry S. Truman 1 1/2"	2/26/85	13,802	$27,604.00	$22,796.35	$4,807.65
Danny Thomas 1 1/2"	4/16/85	5,851	$11,722.00	$21,927.64	($10,205.64)
Elie Wiesel 1 1/2"	4/9/85	3,314	$6,628.00	$19,392.47	($12,764.47)
Roy Wilkins 1 1/2"	1/16/86	50	$100.00	$17,583.77	($17,483.77)
	Total		$1,916,856.50	$1,507,972.04	$408,883.46

QUESTION: What measures might be implemented to reduce the cost of Congressional Gold Medals?

ANSWER: The major cost of a Congressional Gold Medal is incurred in the development of the design, engraving, and die work which can amount to $20,000 or more. The traditional design of a Congressional Gold Medal consists of a portrait of the individual(s) on the obverse and a symbol of his or her accomplishments on the reverse. Cost reductions will result if a common reverse design is used for all Congressional Gold Medals.

QUESTION: The 500,000 Statue of Liberty gold coins authorized by law were sold out during the pre-issue discount sales period. What would be the probable implications for future commemorative coin programs, if Congress were to authorize the striking of additional Statue of Liberty gold coins?

ANSWER: Treasury would not recommend that Congress authorize the striking of additional Statue of Liberty coins. Many people who bought one or more gold coins did so in part because of their very limited mintage. Were the Mint to produce additional Liberty gold coins, we could expect a large number of complaints from people who bought gold coins last fall in reliance on the limited mintage.

QUESTION: Your policy for pre-issue discount sales of Statue of Liberty commemorative coins was to sell the coins on a "first come, first serve" basis, while reserving the right to limit the number of coins sold to individual purchasers.

a. In retrospect, do you think that this was an appropriate policy?

b. Do you think that it might have been appropriate to set aside a certain number of coins specifically for sale to U.S. and foreign dealers?

c. In light of your experience with the Statue of Liberty pre-issue discount sales, how might you modify the way you handle future commemorative coin sales?

ANSWER: At the time that the policy was set, the projection was that the gold coin would not sell out of its Congressional authorized mintage of 500,000 during the pre-issue discount period. It was anticipated that in mid-December, with the pre-issue ordering cycle nearly over, the expected remaining pool of coins would be allocated between the consignment, domestic bulk and international programs. The unexpected sell out of the gold coins eliminated the need to finalize an allocation plan.

On future commemorative coin programs, we would certainly consider some sort of allocation system.

QUESTION: How has the U. S. Mint used the procurement exemption that Congress granted it in connection with the Statue of Liberty/Ellis Island Commemorative Coin Program?

ANSWER: The exemption to the procurement regulations authorized by law for the Statue of Liberty Progran allowed the Mint to dramatically shorten the lead time of its procurements and to improve its procurement flexibility. Quality products were procured without experiencing any significant decrease in competition.

IMPROVED TIMELINESS - Since the Mint did not have to follow regular procedures on synopsizing, advertising, and evaluating bids/proposals, the procurement cycle was shortened considerably. Several of the contracts in the Statue of Liberty program were awarded less than 30 days from the time they were announced. Additional time saving features included the following:

- The Mint was able to direct its solicitations only to those suppliers known to be able to perform the work satisfactorily. This saved the time usually required to screen out non-responsible offerors.

- The Mint was able to bring all potential contractors together in the negotiation process, rather than having to negotiate with each offeror individually. This allowed for a joint discussion and understanding of technical requirements, problems, and potential solutions. The Mint then only evaluated cost/pricing information separately.

- By using tailored incentive clauses and danage provisions, the Mint was able to negotiate better schedules from its contractors. Each knew that damages would be paid if the schedule was not met, but also that rewards would be forthcoming for performance that exceeded the schedule requirements.

- The bid protest process (both GAO and Claims Court) was eliminated, thus preventing an unsuccessful offeror from delaying contract award with a lengthy and unsupportable protest action.

- Under the waiver system, a contact could be awarded and notice to proceed given without a full obligation of the entire contract amount being made.

IMPROVED FLEXIBILITY/QUALITY - The Mint was able to deviate from the clauses and provisions usually required in Federal procurements. This allowed the Mint to tailor contracts to its particular requirements, and to make greater use of multiple awards and back-up contracts. Benefits realized included the following:

- Problems could be resolved, including major changes to specifications, without resorting to complicated and lengthy termination and re-procurement proceedings.

- More significantly, the Mint was able to require its contractors to share solutions to common problems with other active and backup contractors. This transfusion of information resulted in "like products" from multiple contractors, thus enhancing acceptability by the Mint's production processes, and the assurance of backup supply capability.

In summary, the procurement exemption was an essential factor in the Mint implementing the Statue of Liberty Coin Program within the timeframe required by the legislation.

QUESTION: Will the gold sourcing restrictions contained in the Gold Bullion Coin Act present any problems or handicaps for the U.S. Mint?

ANSWER: The provision of the Gold Bullion Coin Act that requires the Mint to purchase U.S. newly mined gold for the production of the gold bullion coins will present some problems for the Mint; however, the Mint has taken measures to minimize these difficulties and feels confident in its ability to comply with the legislative intent behind this issue.

There are two issues the Mint must face in obtaining the newly mined U.S. gold. First is the timing of requirements, i.e., the gold must be available at the time the Mint needs it. By law, the Mint must operate the program at no net cost to the government, and, therefore, must match gold purchases with coin sales. Secondly, the Mint cannot, by law, pay more than the average world price for this gold.

The Mint intends to enter into agreement with a group of companies capable of supplying this gold to the Mint, and to call on these suppliers to provide the metal as needed. This will give the Mint several potential sources for newly mined U.S. gold. The Mint will require a certification which would require a refiner to certify gold output as newly mined in the U.S. Finally, the Mint will address the pricing issue by clearly stating in its agreements with suppliers that it will not pay any premium above the average world price. When the Mint is not able to purchase sufficient gold under the stated terms and conditions, Treasury gold reserves will be used as permitted by the legislation.

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